

AUSTRALIA, VIETNAM AND THE REGION

Opening address by Senator Gareth Evans, Minister for Foreign Affairs and Trade, to the Conference on Vietnam's Economic Renovation, Research School of Pacific Studies, ANU, Canberra, 18 September 1990.

To a casual third country observer, it may not be immediately obvious why Vietnam should be as significant to Australia as it is. We have no common heritage. While in the same region, we are not neighbours. We have only recently sought to engage in commerce in a serious way. Yet for more than three decades Vietnam has been the catalyst for a large part of our foreign policy energies. For many of my generation the war in Vietnam was a searing introduction to the complexities of foreign policy. Then as now, our approach towards Indo-China has been central to our dealings with other countries in our region and has affected the perspectives of others about the sort of country we are. And it has contributed significantly to the process by which Australia has been able to develop its own sense of self within the region.

Vietnam did not feature prominently in Australian thinking before the Vietnam War. Like many others, we watched the French lose Indo-China with alarm. Vietminh control of North Vietnam following on from the "loss" of China worried us lest a red tide surge through Asia. We joined with others in the South East Asia Treaty Organisation and prepared ourselves to resist. Then we fought in Vietnam, as part of a crusade against an enemy the actual nature of whose objectives we failed sufficiently to understand. As I said in the 1989 Beanland Lecture:

A better understanding of Vietnam and its history would have led us to the view that, while undoubtedly a man deeply committed to the cause of international communism, Ho Chi Minh was not a Chinese puppet playing out some scripted drama for the extension of Chinese communism through all of South East Asia and beyond. Had we known more of Vietnam we might have seen more grey and less red. It was a costly ignorance.

By the end of the War, Australia had entangled itself in Asian affairs in a way which had tested the fabric of our own society but which had also accelerated the beginning of some sense of belonging to the region. And because Vietnam had caused our identification of a common cause with the United States to be questioned, we increasingly came to examine Asia more from our own regional standpoint and on the basis of our own appreciation of our own interests.

We have not of course been physically involved in what historians may well term the

Third Indo-China War - the complex of events which, after the fall of Saigon in 1975, flowed from Vietnam-Cambodia hostilities and the Sino-Vietnamese rift, and which tends to be encapsulated in the expression "the Cambodian issue". But that war has been an essential focus of our own regional diplomacy and that of others for over a decade. The three major powers - China, the Soviet Union and the United States - have had a significant stake in the issue. It has been a major cause for difference in Sino-Soviet and US-Soviet relations. It has separated Indo-China from ASEAN. The policy of others on the Cambodian issue - including of course Australia - has been the subject of minute scrutiny by the parties principal and has to some extent been the touchstone of how we and others have been perceived in the region.

And if we have sometimes been seen as almost too involved in Indo-China issues, it has been because we have compelling interests in Vietnam and the rest of Indo-China.

. Although not an immediate neighbour, Indo-China is in a region which has been a source of instability in an area of strategic importance to Australia: in this sense alone, our pursuit of a settlement in Cambodia has been far from some exotic whim.

. We also have an interest in a trading and investment partnership with Vietnam as its economy develops: ultimately Vietnam could become not only a valuable bilateral partner but a valuable regional player in the Asia Pacific Economic Cooperation (APEC) grouping.

. We have a humanitarian interest in Vietnam and the Vietnamese: most Australians would genuinely like to see a more prosperous and settled Vietnam and the Vietnamese people having greater freedom with which to enjoy that prosperity.

. And we also have an interest in people ceasing to try to leave Vietnam illegally. While we accept that conditions there are difficult and often miserable, the flow of boat people has often resulted in more misery as countries of first asylum and countries of resettlement have had to balance humanitarian imperatives against the need to discourage a greater outflow, largely for economic reasons, from Vietnam.

But our interests in Vietnam and Indo-China go further still. Our policy towards Vietnam has had an indirect, but important, effect on our relations with other regional countries, such as those of ASEAN. How we act towards Vietnam has affected the way we have been perceived in the region. Thus our relationship with Vietnam has assumed a significance greater than the sum of the elements of our relationship with Vietnam seen in isolation:

. In the 1960s and early 1970s our role in Vietnam meant that we were seen in the region primarily as an ally of the United States preoccupied by military security

. Later, we were seen as a country prepared to differ in some measure from expressed conventional wisdom on Vietnam (for example, on the desirability of isolating Vietnam and declining to recognise the Coalition Government in Cambodia because it included the Khmer Rouge). In this process we received a certain amount of disapproval from regional friends

. Most recently, we have increasingly been accepted as a country with genuine security interests in Indo-China which has been able to play a constructive role in the search for a comprehensive settlement of the Cambodian issue.

Our diverse approaches towards Vietnam and Indo-China have been shaped by our perceptions at any particular time of our interests in the area - security, economic and so on. We fought in Vietnam because, like the Americans, the Government of the day saw our involvement as necessary to contain envisaged communist expansion; another element was of course our enthusiasm to bank credit points with the US for drawdown at some future time of need. Later we regarded the isolation of Vietnam as only likely to make it more dependent on the Soviet Union, a situation in fact contrary to our security interests. Our approach therefore came to diverge somewhat from most of our neighbours and allies, although we accepted that their interests needed fully to be reflected in our policy.

Now, as a political settlement to the Third Indo-China War becomes a real possibility, the potential mutual benefits of Vietnam achieving normalisation in its relations with others in the region should begin to be realised - not only in terms of an enhanced sense of security, but in terms of accelerated regional economic development and intra-regional commerce. And with increasing prosperity, the flow of boat people from Vietnam - a long standing source of tension in the region - should diminish.

The process of integrating Vietnam into the region is one which is very much in Australia's interest and one which we will vigorously pursue. It is a process for which we are particularly well equipped with a Vietnamese diaspora in Australia of over 130,000 people, who, as old memories gradually disappear, can help build Australian ties with an emergent Vietnam.

It is of course easier to talk in convenient phrases of "integration into the region" and "end to isolation" and so on than to chart with accuracy the sort of role within the region which Vietnam might assume. It has to be said that that will not be an easy task : there are a number of aspects of Vietnam's current situation which weaken its capacity effectively to integrate into the region.

First, even although South Vietnam was the recipient of enormous quantities of American investment until 1975, Vietnam has been at war since 1940 - albeit with lulls in the late 1940s and 1950s. Indo-China as a whole is probably a generation behind most ASEAN

countries in developmental terms. The per capita GNP in Vietnam is of the order of \$US175 compared, for example, with Thailand's per capita GNP of \$US1,190. Thus, relative to most of its neighbours, Vietnam has a very long way to go.

Moreover, in the North since 1954 and in the whole country since 1975, Vietnam has suffered from the inefficiencies inherent in a centralised system based on high subsidisation and inefficient allocation of limited resources. The Northern post-war leadership were largely warrior politicians who had risen to the top of their system through their capacity to prosecute a war rather than because of any experience in governing a peacetime economy - let alone in how to integrate the widely different economic systems which obtained in the North and the South. And that problem of integration was exacerbated by the fact that many of the skilled economic managers in the South left or were detained in 1975. Moreover, there was a frustrating incompatibility of plant and equipment: one half of the country had been trained and supplied by the Soviet Union and China. The other half had been dependent on the United States.

The Vietnamese economy has had scant opportunities offered to it by the West or by its neighbours since 1975. The application of the United States Trading with the Enemy Act to Vietnam effectively amounted to a United States commercial blockade of Vietnam. But the United States was also instrumental in blocking loans to Vietnam by the international financial institutions such as the World Bank and the Asian Development Bank.

Principally because of Vietnam's intervention in Cambodia, most Western countries and Japan do not have development assistance programs with Vietnam. Quite apart from these difficulties, Vietnam has suffered from all the problems inherent in a command economy seeking to trade effectively with Western free enterprise economies, and has been heavily reliant on COMECON trading partners.

Moreover, while in the last two or three years the West has been taking a closer look at trading opportunities with Vietnam, Vietnam has been receiving less from COMECON countries than hitherto. The Soviet Union has cut back its aid and recent events in Eastern Europe have resulted in a reduction in the number of Vietnamese workers in Eastern Europe, so aggravating economic problems in Vietnam by increasing unemployment and reducing remittances.

These economic restraints on Vietnamese growth have, since 1954 in the North and 1975 in the South, been matched by a Marxist/Leninist political system, the restrictive aspects of which have impeded any real sense of political commonality between Vietnam and most of its neighbours - tending to instil a sense of otherness about Vietnam and compounding regional fears about its intentions. The rigidity of the Vietnamese system has been placed in starker relief as Vietnam's Soviet and East European allies have pursued their own revolutions towards liberalism.

All this said, there are a number of factors both internal and external which could accelerate Vietnamese economic growth and enable it to play a significant regional role.

Vietnam is a strategically located, resource rich country of 67 million people with a certain demonstrated capacity to organise and see things through. The Vietnamese are a diligent and capable people who want to live better. There is a high standard of literacy and people are eager to learn: visitors to Hanoi will recall the sight of students reading textbooks for long periods under inadequate street lighting. The country has significant natural resources : coal, seafood, coffee, oil. For the first time in decades, Vietnam has had a surplus of rice production and was able to export approximately 1 million tonnes in 1989. There is also no doubt that Vietnam has the potential to rapidly develop as a major tourist destination - with its rich traditional culture, striking landscape, and a modern history which has touched the lives or captured the imagination of people in many countries around the world.

Moreover, the Vietnamese leadership has over the last decade embarked on a gradual process of economic reform. The Sixth Plenum of the 4th Party Congress in 1979 recognised that fundamental reforms to the socialist economic system were inevitable. The Plenum legitimised some private production and began a process of dismantling the agriculture collectives.

Since the 6th Party Congress in December 1986, the Vietnamese Government has gone a lot further through its adoption of the economic reform program known as Doi Moi, or "Renovation" - the subject of this seminar. Doi Moi was designed to rectify the inefficiencies of the State industrial sector, to streamline the development of the non-state agricultural sector and to free the economy to respond to market forces. It was particularly intended to encourage foreign investment. It sought to reduce the role of the State bureaucracy in the system and to remove many of the constraints on the operation of private enterprise in Vietnam.

Substantial results from the Doi Moi initiatives, have included:

- . the introduction, in December 1987, of a Foreign Investment Law;
- . a measure of autonomy for some State-run economic establishments and an increase in non-government economic enterprises;
- . increased agricultural production;
- . the introduction of a rationalised import-export policy intended to encourage exports and discourage imports of consumer goods; and

. bank interest rates were raised in a successful attempt to encourage private savings and reduce bank cash flow problems.

While Doi Moi represents a recognition of the economic realities facing Vietnam, there remains much to be done to establish firmly the renovation process, and to secure a pattern of stable economic growth which will meet the aspirations of the Vietnamese and allow Vietnam to take its place in the regional economy.

There has under Doi Moi been a measure also of political reform. But while political statements and resolutions since the 6th Party Congress have consistently reaffirmed the importance of political reform, greater emphasis has, at least until very recently, been placed on the necessity of preserving ideological principles and the primacy of the party system. The Vietnamese leadership refers to the need for political stability to provide a framework for economic reform. The disinclination to accord political reform the same weight as economic reform was in part a reflection of the Vietnamese nervousness over the events in Eastern Europe.

So far the Vietnamese Government has resisted or effectively diverted the kind of pressure for political reform which existed in China. However, the process of Doi Moi can only succeed if economic reform is accompanied by some liberalisation of political activity. Inevitably, increased contact and interaction with non-socialist nations through developing trade and investment relationships cannot help but change the political perceptions and expectations of many Vietnamese. And even within Vietnam, there must be doubt about whether devolution of economic decision-making can be made to work effectively in the absence of a similar process taking place politically and socially. It would be a matter for extreme regret if, at a time when Vietnam was seeking to improve its regional links, it were to engage in the sort of political repression which occurred in China. This is not immediately in prospect, but were it to take place, many of the gains made by Vietnamese diplomacy in recent years would disappear.

The signals on political change in Vietnam are at present mixed. Over the past year or so, more conservative elements have appeared to be in the ascendant in the face of pressures for change. Yet there are straws in the wind which could suggest that the leadership may be beginning to adopt a less ideological approach to government. For example, the speech of Prime Minister Do Muoi on Vietnam's National Day was notable for its absence of rhetoric. Vietnam might work towards a more pluralistic and less rigid system of government. I doubt that such a shift would be radical or rapid or that the current leadership would be prepared to discard the ideology which has sustained it for years. But there may be some measure of rethinking going on. If it is, we applaud it.

Along with what is happening and what has the potential to happen inside Vietnam, the changes in Vietnam's external environment suggest a significant shift in the disposition of

others to accept it.

This is not the forum in which to retrace in any detail the arguments on whether or not Vietnam's intervention in Cambodia merited the response it received from China, ASEAN and the West. Governed by men who had taken the South in less than two months and Cambodia in two weeks, Vietnam infuriated its erstwhile mentor, China, and its former enemy, the United States. It caused grave concern amongst ASEAN, particularly Thailand. The problem for Vietnam was that, whatever the effect of its invasion might have been in saving the Cambodian people from the genocidal regime of Pol Pot, it was in manifest breach of the most fundamental of all international relations principles, that of non-intervention: it was just impossible for any Australian or like-minded government to pursue a normal, let alone expanding, relationship with Vietnam in these circumstances. This opposition to Vietnam was only likely to dissipate with the perception that Vietnam no longer posed a security threat to its neighbours, and that the government in Phnom Penh reflected the will of the Cambodian people rather than that of Hanoi.

Since 1989, Vietnam has taken considerable steps to break the long-standing impasse on Cambodia, in particular with its withdrawal of all formed military units from the country. Although the momentum slowed again considerably in the first half of this year, with the Vietnamese Government being frustratingly unwilling to go the extra distance needed to bed down a comprehensive settlement, in the last few weeks there has once again been an evident willingness to encourage Phnom Penh to come aboard the settlement plan, based on Australia's proposals, now agreed by the Permanent Five members of the UN. If through the remaining end-game of the settlement process Vietnam continues to play a positive and constructive role, it will immeasurably strengthen its relationships with the region and the wider world.

Commensurate with the progress that Vietnam has made on Cambodia recently, there are indications that significant progress is being made in Vietnam's relations with China. The two issues are not of course unconnected: a significant reason for the existence and continuation of the Cambodian problem has been Sino-Vietnamese tension and vice versa. Although the two countries still remain apart, the rapid acceleration of discussions between them over recent months gives many grounds for optimism. If the recent progress on Cambodia holds, relations with China should improve rapidly.

It is also noteworthy that Vietnam responded positively to the United States, decision announced on 18 July, to open a dialogue with Vietnam on Cambodia. Two meetings have now been held, together with some other direct contact in the context of the recent Jakarta meeting, and the results have been encouraging. Once again the nature and speed of the progress towards normalisation of the United States/Vietnam relationship will undoubtedly depend on how quickly a comprehensive Cambodian settlement is achieved.

As I have said, this Australian Government has long believed that Vietnam's isolation is undesirable and that it was in the interests of regional stability - and therefore Australia's security - that a solution to the problems which prevented normalisation between Vietnam and the rest of the region be found. It also seems ironic and unnecessary that at a time when Vietnam's ally, the Soviet Union, is rapidly and comprehensively repairing its relations with the West, Vietnam should somehow still be seen as part of the Evil Empire. Given the preoccupation of the Vietnamese leadership since the Second World War with security, it is understandable that shifts in policy do not come easily when they have the potential to impinge on that leadership's concept of security requirements. Ultimately however it is in Vietnam's interest to appreciate that security depends not only on military strength and on military alliances, but on a multidimensional approach involving a whole network of links with the region - political, commercial, cultural and developmental. If such links can be constructed, the greater will be mutual confidence and the better will be the long term prospects for Vietnam's genuine security.

Our bilateral dealings with Vietnam have, I hope, in some measure reduced Vietnam's isolation. We have not entered into a bilateral development assistance program with Vietnam pending resolution of the Cambodian conflict. However, we have helped meet the basic humanitarian needs of the Vietnamese in the areas of health, agriculture and education by channelling assistance through Australian NGOs and multilateral organisations: to the extent of \$21.2 million in 1988-89 and \$16.8 million last financial year.

We have also taken a number of steps to develop the trade and investment aspect of our relationship with Vietnam. In June this year, Senator Button visited Vietnam as leader of a high level Trade Mission and signed during that visit an Agreement on Trade and Economic Cooperation with Vietnam. We have also undertaken to negotiate an Investment Protection Agreement and Double Taxation Agreement. Australian companies - in particular OTC - already have a conspicuous presence on the ground, and everyone acknowledges that the potential for rapid expansion of that presence is immense.

It is now not only possible, but likely, that Vietnam is on the verge of a new era in its dealings with the region and with Australia. The political and security factors which have impinged on Vietnam's capacity to deal normally with its regional neighbours are changing. Vietnamese leaders are moving gradually away from the demonstrated inadequacies of a centralised planned economy and have made some progress in according greater political freedoms to their people.

It is becoming a truism to state that the world as we know it has changed irreversibly in the last couple of years. The ideological bipolarity which shaped the strategic thinking of most countries for a generation and a half, and which shaped the destiny of Vietnam far more than most countries, has gone. We all need to adjust to these changes. And because Vietnam's destiny was so moulded by the rules of the old world, it may find the process of

adjustment all the harder. It is in its interests to try.

On a previous occasion I noted, in the context of the Cambodia issue, that Indo-China has been the graveyard of many delusions, and must not be allowed to become the cemetery of peace. I can now be more positive. If Vietnam and Indo-China can now attain and nurture peace, the natural dynamism of South East Asia will be immeasurably stimulated and Vietnam will achieve its long struggled-for goal of true security and independence.

With the continued flow of people, ideas and commerce between Vietnam and the rest of the region, its true potential should at last be realised. In that process, our own bilateral relationship with Vietnam should at last begin to bear fruit. For over a generation, the nature of our relationship with Vietnam has been an issue of contention, both at home and in our dealings with others in the region. It is our hope and expectation that during the 1990s the relationship will no longer be an issue of contention. And it is our further hope that because we have been prepared to persevere and have been willing to recognise the need to work towards Vietnam's acceptance in our region, that our relationship will evolve at last into a true and durable and highly mutually beneficial partnership between us.

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